

BOND CLOTHES

BOND STORES, INCORPORATED



ANNUAL REPORT TO STOCKHOLDERS

YEAR ENDED DECEMBER 31, 1943

OFFICERS

BENJ. J. FRIEDMAN	<i>Chairman of the Board</i>
BARNEY RUBEN	<i>President</i>
IRVING COHEN	<i>Vice-President and Treasurer</i>
JAMES W. CONNORS	<i>Vice-President and Secretary</i>
SYLVAN N. KING	<i>Vice-President</i>
LOUIS A. GOOD	<i>Vice-President</i>
IRVING MOSELOWITZ	<i>Vice-President</i>
RUDOLPH STULZ	<i>Vice-President</i>
CARL F. KLEMENGER	<i>Assistant Secretary</i>

BOARD OF DIRECTORS

BENJ. J. FRIEDMAN	JAMES W. CONNORS
BARNEY RUBEN	HERBERT H. MAASS
IRVING COHEN	JOHN M. HANCOCK
MAURICE WERTHEIM	

BOND STORES ARE LOCATED IN THE FOLLOWING CITIES:

AKRON, OHIO	FLINT, MICH.	OAKLAND, CALIF.
ALBANY, N. Y.	FORT WORTH, TEXAS	PHILADELPHIA, PA.
ATLANTA, GA.	HARRISBURG, PA.	PITTSBURGH, PA.
BALTIMORE, MD.	HARTFORD, CONN.	PROVIDENCE, R. I.
BIRMINGHAM, ALA.	HOUSTON, TEXAS	READING, PA.
BOSTON, MASS.	JERSEY CITY, N. J.	ROCHESTER, N. Y.
BUFFALO, N. Y.	KANSAS CITY, MO.	SAN FRANCISCO, CALIF.
CHICAGO, ILL.	LORAIN, OHIO	SCHENECTADY, N. Y.
(5 stores)	LOS ANGELES, CALIF.	SCRANTON, PA.
CINCINNATI, OHIO	LOUISVILLE, KY.	ST. LOUIS, MO.
CLEVELAND, OHIO	MEMPHIS, TENN.	SYRACUSE, N. Y.
COLUMBUS, OHIO	MILWAUKEE, WISC.	TOLEDO, OHIO
DALLAS, TEXAS	NEWARK, N. J.	TRENTON, N. J.
DAYTON, OHIO	NEW BRUNSWICK, N. J.	WASHINGTON, D. C.
DES MOINES, IOWA	NEW HAVEN, CONN.	WILKES-BARRE, PA.
DETROIT, MICH.	NEW YORK, N. Y.	YOUNGSTOWN, OHIO
(2 stores)	(8 stores)	

Factories in Rochester, N. Y. and New Brunswick, N. J.

BOND STORES, INCORPORATED

261 FIFTH AVENUE
NEW YORK

March 27, 1944.

TO THE STOCKHOLDERS OF BOND STORES, INCORPORATED:

The enclosed financial statements, certified by the Company's accountants, reflect the condition of your Company as at December 31, 1943, and the result of its operations for the year then ended.

This is the second year your Company has operated under wartime conditions, and the first full year of its operation of the newly formed Women's Departments. In the fall of 1942, we introduced women's apparel departments in some stores, and they have now been established in all but two. Our first full year's experience in the operation of these departments has reasonably assured us that the field in women's wear is as broad as that we enjoy in men's wear.

Due to the fact that replacements of materials were somewhat difficult to secure, your management deliberately limited sales efforts during the past year, but even so the total volume for 1943 exceeded that of the corresponding period for 1942, and the percentage of gross profits from operations is somewhat greater than in the preceding year. This is attributable among other things, in part to the sale of more higher priced units, and in part to the substantial reduction of inventories, which, in accordance with the policy of the Company, are taken at or below the lower of cost or market.

In order to merit continued consumer acceptance, your management has considered it essential to devote its constant efforts to maintain the high quality of our merchandise.

During the past year, our inventories have been materially reduced, but as we have ample commitments in all departments, we anticipate no difficulty due to merchandise shortages in maintaining our volume, and expect a continuous flow of products of the same high standard and quality and at the same low prices which have attracted so substantial a measure of good will.

We are encouraged to believe that immediately after the war we must be prepared to meet an increased demand for our merchandise. With this in mind, we are engaged in a program to enlarge some existing stores to accommodate both men's and women's departments on a scale commensurate with the business which we may expect at the termination of the war, as well as opening a few new units. Taking what we believe to be a long-range view of this situation, we are renewing leases of existing stores where it is possible to secure additional frontage and floor space, and in other instances are planning to move present stores to new and better locations upon the expiration of existing leases, some of which new leases have already been executed.

This program also contemplates the increase of our factory production, and as soon as building restrictions are lifted, we expect to enlarge our manufacturing plant at Rochester, New York, unless in the meanwhile we are able to acquire a suitable existing plant or plants.

In 1940, Adda, Inc., a wholly-owned subsidiary, acquired the premises on the east side of Broadway running from 44th to 45th Streets, Borough of Manhattan, City of New York, in which is constructed our largest and most successful store. That part of the premises not occupied by our store is leased to several responsible concerns under long-term leases at substantial rentals, and operation of the property as a whole shows a satisfactory profit. These premises were acquired subject to an existing first mortgage of \$1,400,000, and with a purchase money mortgage of \$4,250,000, which latter mortgage Adda, Inc. purchased during the past year at a substantial discount. Negotiations are now under way to re-finance the property with an increased first mortgage, with a view to effecting a material reduction of the investment therein.

During the past year the stock of the Company was placed on a dividend basis of \$2.00 per annum.

At the present time there are over 1100 of our employees serving our country in the armed forces.

I want to take this opportunity to thank the Board of Directors and Mr. Benjamin J. Friedman, my predecessor, who has become Chairman of the Board of Directors, for their manifestation of confidence in electing me President of the Company.

It is appropriate to observe that the results herein outlined could not have been achieved without the splendid cooperation of our entire personnel, for which the management is deeply grateful.

Enclosed herewith is notice of the annual meeting of stockholders, to be held at Baltimore, Maryland, on April 11, 1944, at 10:00 o'clock A. M., at which, in addition to the election of directors, stockholders, on the recommendation of the Board of Directors, will be asked to approve amendments to the charter of the corporation providing, among other things, for the creation and authorization of preferred stock issuable in series and amendments to the by-laws, all of which are more fully described and set forth in the proxy statement transmitted herewith. Stockholders who are unable to be personally present at the meeting are urgently requested promptly to execute and return the enclosed proxy.

By Order of the Board of Directors,

Barney Ruben

President.

BOND STORES, INC.
AND WHOLLY-OWNED SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

ASSETS

Current Assets:		
Cash on hand and in banks		\$ 5,388,844.97
U. S. Government 7/8% Certificates of Indebtedness, Series E-1944 and accrued interest thereon		5,012,840.00
Accounts receivable—customers	\$2,707,489.29	
Less: Reserve for doubtful accounts	350,427.23	2,357,062.06
Miscellaneous accounts receivable, sales tax stamps, etc.		160,509.54
Merchandise Inventories—Note A:		
Woolens, trimmings, etc.	\$1,918,856.64	
Work in process	841,887.23	
Finished goods	7,103,541.84	9,864,285.71
Total Current Assets		\$22,783,542.28
Post-war refund of Federal excess profits tax		455,300.00
Due from employees, less reserve		17,831.29
Due from employees for purchase of 400 shares of stock of the corporation, which stock is held as collateral for the unpaid balance		4,197.00
Deposits, advances, claims receivable, etc.		22,696.08
Fixed Assets—at Cost—Note B		
Land	\$3,919,153.84	
Buildings	\$1,978,189.55	
Less: Reserve for depreciation	378,172.06	1,600,017.49
Machinery, furniture, fixtures and equipment	\$2,398,188.14	
Less: Reserve for depreciation	999,443.93	1,398,744.21
Alterations and improvements	\$ 983,337.03	
Less: Reserve for amortization	493,307.45	490,029.58
Total Fixed Assets		7,407,945.12
Leasehold—per books, less reserve for amortization		1,339.00
Deferred Charges:		
Prepaid rent and advances to landlords on improvements to leased properties	\$ 89,727.73	
Unexpired insurance and prepaid expenses	202,711.29	292,439.02
		<u>\$30,985,289.79</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

INCORPORATED

NED SUBSIDIARY

ET AS AT DECEMBER 31, 1943

LIABILITIES

Current Liabilities:

Serial Notes payable—current installment	\$	300,000.00
Accounts payable—merchandise and expense creditors		663,026.07
Customers' deposits		49,754.49
Accrued salaries, miscellaneous taxes and expenses		1,717,844.69
Amounts withheld for purchase of War Bonds under payroll allotment plan	\$	4,409.62
Less: Cash held for purchase of same		4,409.62
Reserve for Federal taxes on income—Note D		7,889,599.22
Less: U. S. Treasury Tax Savings Notes		231,058.00
Total Current Liabilities		<u>\$10,389,166.47</u>
Serial Notes—The Equitable Life Assurance Society of the United States, payable in annual installments of \$300,000.00	\$	2,100,000.00
Less: Current installment shown above		300,000.00
Mortgage payable of Subsidiary, due September 2, 1947		<u>1,400,000.00</u>
Total Liabilities		<u>\$13,589,166.47</u>
Reserve for contingencies		750,000.00

Capital stock:

Common Stock—Par Value \$1.00 per Share:		
Authorized—1,000,000 shares		
Issued—701,497 shares		701,497.00
Capital surplus (Note C)—Exhibit B		6,435,713.42
Earned surplus (Note C)—Exhibit B		9,508,912.90

\$30,985,289.79

rt of this statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED
AND WHOLLY-OWNED SUBSIDIARY
CONSOLIDATED STATEMENT OF SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1943

Capital Surplus:

Balance—December 31, 1943 (no change during year)—Exhibit A	\$ 6,435,713.42
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Earned Surplus:

Balance—January 1, 1943	\$ 7,776,823.96
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Add:

Net profit for period transferred from Consolidated Statement of Income and Profit and Loss—Exhibit C	3,111,534.49
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Adjustments applicable to prior years:—

Provision for doubtful accounts, taxes, etc.	\$294,012.44
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Less: Adjustment of Federal income and excess profits

taxes for year 1941	270,463.99	23,548.45
		\$10,911,906.90

Deduct:

Dividends paid at \$2.00 per share	1,402,994.00
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Balance—December 31, 1943—Exhibit A	\$ 9,508,912.90
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The Notes to Consolidated Financial Statements are an integral part of this statement and should be read
in conjunction herewith.

BOND STORES, INCORPORATED
AND WHOLLY-OWNED SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME AND PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 1943

Sales, including sales of \$793,659.12 to U. S. Government		\$45,594,256.41
Cost of goods sold, stores and general and administrative expenses		<u>36,242,875.68</u>
Operating profit before depreciation and amortization		9,351,380.73
Deduct:		
Depreciation	\$ 277,046.59	
Amortization	<u>84,395.93</u>	<u>361,442.52</u>
		\$ 8,989,938.21
Add:		
Income from real estate operations of subsidiary	\$ 140,689.66	
Other income	<u>298,906.62</u>	<u>439,596.28</u>
Net income before provision for Federal taxes on income		\$ 9,429,534.49
Provision for Federal normal income tax and surtax	\$1,278,000.00	
Provision for Federal excess profits tax (after deducting a post-war credit of \$560,000.00, of which \$120,000.00 is currently allowable as a debt retirement deduction, the balance of \$440,000.00 to be received after the war) —Note D	<u>5,040,000.00</u>	<u>6,318,000.00</u>
Net profit for the period transferred to Earned Surplus—Exhibit B		<u><u>\$ 3,111,534.49</u></u>

The Notes to Consolidated Financial Statements are an integral part of this statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED
AND WHOLLY-OWNED SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1943

NOTE A: Inventories are stated at or below the lower of cost (prime cost as to goods manufactured by Bond Stores, Incorporated, retail inventory method as to furnishings, and invoice cost as to other merchandise, substantially on the "first-in, first-out" basis) or replacement market. Such methods for valuing the inventories are consistent with the practice of prior years.

NOTE B: In the preparation of the accompanying statements, the lien on the property owned by Adda, Inc. in the amount of \$4,186,458.61 has been eliminated and the cost of the real estate has been reduced by \$1,309,458.61, representing the difference between the reduced principal amount of a purchase money mortgage originally in the principal sum of \$4,250,000, constituting a lien on the property, and the purchase price of such mortgage, Adda, Inc. having purchased such mortgage for the sum of \$2,877,000. Such purchase money mortgage has not been satisfied of record, it being the intention of Adda, Inc. that such mortgage is not to merge with the fee and that the lien be preserved. The property owned by Adda, Inc. is subject to a mortgage payable in the amount of \$1,400,000.

NOTE C: Under the terms of the agreement relative to the Notes aggregating \$2,100,000.00, evidencing the indebtedness to The Equitable Life Assurance Society of the United States, \$9,912,799.50 of the capital surplus and earned surplus of Bond Stores, Incorporated (which aggregated \$15,944,626.32 as at December 31, 1943), cannot be used for the payment of dividends (other than dividends payable in stock of Bond Stores, Incorporated) on, or other distributions in respect of, or the purchase, redemption or other retirement of, capital stock.

NOTE D: The Federal income and excess profits tax returns of the Corporation have been examined up to and including the year ended December 31, 1941 and all assessments paid.

The Corporation has filed claims under Section 722 of the Internal Revenue Code for refund for a substantial amount of excess profits taxes for the years 1940, 1941, 1942 and is contemplating filing a similar claim for the year 1943. No consideration has been given to such claims in the preparation of the accompanying statements.

The accompanying statements are rendered subject to the final determination of Federal income and excess profits taxes.

GENERAL:

The Corporation is subject to renegotiation under the provisions of the War Profits Control Act by which the Government is authorized to adjust the prices on war contracts and subcontracts, where profits on such contracts are deemed to be excessive. No refund was required to be made by the Corporation upon consummation of renegotiation proceedings for the year ended December 31, 1942. Renegotiation proceedings for the year ended December 31, 1943 have not been commenced, but the management is of the opinion that, based on the renegotiation proceedings for the prior year, no refund will be required.

Reference is made to the attached letter of the President with respect to the proposed amendments to the Charter of the Corporation and with respect to the creation and authorization of Preferred Stock.

ACCOUNTANTS' REPORT

To the Board of Directors,
BOND STORES, INCORPORATED,
New York, N. Y.

We have examined the consolidated balance sheet of Bond Stores, Incorporated, and its wholly-owned subsidiary, Adda, Inc., as at December 31, 1943 and the consolidated statements of income and profit and loss and surplus for the year then ended; have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and profit and loss and surplus, together with the Notes to Consolidated Financial Statements present fairly the consolidated position of Bond Stores, Incorporated, and its wholly-owned subsidiary, Adda, Inc., at December 31, 1943, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

New York, N. Y., March 27, 1944.